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SECURITY INFORMATION~~

15 JUL 1952

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STATUS OF THE ECONOMIC INTELLIGENCE PROGRAM AS OF 30 JUNE 1952

A. Continuing Basic Research Program --- other than NIS

In addition to the NIS program there are other continuing basic economic research programs underway in the intelligence agencies ~~that are~~ on a more current basis. This research is conducted by analysts who are also charged with focusing this research as national security problems.

1. Soviet Bloc

Until recently the economic intelligence community has been ~~very~~ limited as to the number of broad integrated studies and special analytic reports that it might prepare at any one time. General economists and analysts trained in handling broad problems, as opposed to the specialized analysts such as the commodity experts, have been relatively small in number. This has caused inordinate delays in the preparation of certain studies of importance to national security --- particularly certain economic contributions to national estimates. However, CIA is in the process of building up a staff of these analysts and within the next year it is expected that this problem will have diminished. The economic intelligence community is in a better position to produce studies on specific segments of the economy (e.g. transportation, electric power, petroleum, metals and minerals). While the number of professional personnel working on these special segments appears to be relatively adequate the lack of raw data has made it extremely difficult to build up satisfactory basic intelligence on many aspects of Soviet Bloc industry. As a general proposition

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it can be stated that intelligence on agriculture and on industrial production, while far from complete, is reasonably adequate. On the other hand, intelligence on such important industrial questions as: the consumption pattern of industrial items; input requirements of industry for labor, materials, and equipment; certain details on individual plants; and quantities and location of stockpiles of strategic items is generally inadequate. As a consequence, while it is possible to prepare economic intelligence studies which are adequate for certain broad generalizations and conclusions about Soviet capabilities and vulnerabilities, it is not possible to prepare these studies with the degree of accuracy and the amount of detail that is required for certain specific purposes. For example, while we can give some intelligence on the Soviet electronics industry we are not able to give as much intelligence as is required to provide a thorough understanding of the electronics industry as it relates to Soviet air defense capabilities; nor do we have, for example, as many of the economic intelligence details we might be expected to have to support the economic defense activities of the Director for Mutual Security. Within the next year, however, it is expected that certain measures and developments now underway will result in a considerable improvement in our economic intelligence base.

2. Communist China

A recent survey of the Economic Intelligence Committee together with a Post Mortem prepared by the Office of National Estimates on SE-27, "Probable Effects of Various Possible Courses of Action with Respect to Communist China", revealed some critical deficiencies in the economic research programs relating to Communist China.

First, it was noted that only one or two professional analysts in the US Government are engaged in research on Communist China on a general area or special-economic-problem basis. Moreover, the number of professional analysts who work on various industrial segments of the Chinese economy is not large. The EIC and ONE reports also noted that there is relatively little current economic information available from the field on Communist China and as a result the economic intelligence community is unable to answer adequately such critical national security questions as, "What is the current economic situation in Communist China, What is the degree of economic stability, What is the extent of Soviet-Communist Chinese economic relations" etc. The Intelligence Advisory Committee has been apprised of this problem and has charged the Central Intelligence Agency through its Office of Intelligence Coordination with an examination of the problem and the preparation of a coordinated interagency program to resolve the difficulties noted in these reports.

3. Rest of the World

Contributions on these sections will be received from the Department of State.

B. Key Programs to Support the Economic Research Effort

In addition to the continuing basic research effort going on in all of the agencies concerned with this problem there are certain special projects and programs designed to give a major support to the economic research effort.

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2. Use of other Techniques and Methods

Among the innovations which became established methodology in CIA in the fiscal year 1952 are the use of input-output analysis, estimation of future trends by extrapolating index number trends, the use of ruble prices as an aggregation device and measurement of Bloc economic capabilities by estimating and analyzing national economic accounts.

3. Analysis of Soviet Materials and End Items

There is currently underway a program to analyze in detail certain Soviet materials and end items. In one instance intelligence



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This gives intelligence a knowledge of the composition and quality of the item analyzed.

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4. Economic Intelligence Handbook

A preliminary edition of a statistical handbook containing data — principally production data — on Soviet-economic activity has been prepared. This handbook is being expanded and within the next year will contain concise descriptive, analytical and statistical material on the entire Bloc economy.

C. Coordination of Economic Research — the Economic Intelligence
Committee (EIC)

One of the principal responsibilities of the EIC is to mobilize the economic knowledge and technical talent available in the US Government in support of intelligence studies and reports bearing on specific issues involving the national security. In line with this the EIC in its first year of operation — July 1951 to June 1952 — completed one

study at the direction of the IAC and made two major research contributions to the Office of National Estimates. In addition, several other studies were in process for ONE and the IAC. The lack of analytic personnel with general competence in economics was one of the principal causes for delay in the preparation of these studies and seriously limited the number of projects that could be undertaken. The planned increase in the number of professional personnel assigned to the EIC Secretariat and the programs noted in sections A and B above will begin to expand the production capability of the EIC by late 1952. However, there will continue to be the necessity for a careful selection of priority projects to be undertaken on an interagency basis. Intelligence facilities will still be tight in relation to the numerous demands placed upon them.

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In connection with this problem of priority the EIC has initiated surveys within its subcommittees to determine the most critical research problems and to decide which problems require improvement in collection and collation. In addition to these surveys the subcommittees concerned with various aspects of research -- electronics, petroleum, etc. -- are engaged in a process of cross-fertilization and are attempting to informally rationalize the various Agency programs for basic research in each field.

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